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Friday, 18 September 1998, 5 p.m.
New York

President: Mr. Opertti ..... (Uruguay)

In the absence of the President, Mr. Mra (Myanmar), Vice-President, took the Chair.

The meeting was called to order at 5.10 p.m.

Agenda item 93 (*continued*)

Sustainable development and international economic cooperation

(d) Renewal of the dialogue on strengthening international economic cooperation for development through partnership

High-level dialogue on the theme of the social and economic impact of globalization and interdependence and their policy implications

The Acting President: I give the floor to the representative of Lesotho.

Mr. Mangoaela (Lesotho): It is an honour for me to address the Assembly on this important and timely topic. Let me at the outset associate myself with the views expressed by the Minister of Foreign Affairs of Indonesia, who spoke on behalf of the Group of 77 and China.

This high-level dialogue of the General Assembly is yet another perfect demonstration of what the international community had in mind when negotiating the Agenda for Development. The Agenda recognizes that:

> "The United Nations occupies a unique position for addressing the challenges of promoting development in the context of the globalization of the world economy and deepening interdependence among nations. It must play a central and more active and effective role in promoting international cooperation for development and providing policy guidance on global development issues." *(A/51/45, para. 233)*

The least developed countries, of which Lesotho is one, face substantial supply-side constraints that impede their efforts at taking advantage of the globalized economy and liberalized markets. These problems are compounded by the external debt problem, which in turn is exacerbated by the decline in official development assistance. We therefore call on the international community to intensify its assistance to the least developed countries by meeting the target of 0.15 per cent to 0.2 per cent of their gross national product, as contained in the Paris Declaration, as well as the Programme of Action for the Least Developed Countries, so that they may have a reasonable chance of building the capacity required for successful integration into the global economy. Otherwise, opportunities associated with globalization, such as those inherent in the Uruguay Round, will continue to elude the least developed countries. And in this age of interdependence of national economies, the continuation of this marginalization is not in the best interest of the global economy.

Various studies leading to the Uruguay Round showed that developing countries would realize

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substantial income gains from trade liberalization. One of those studies, done by the World Bank, estimated such gains at $171 billion, with approximately one third of this accruing to developing countries.

Trade liberalization and deregulation following the conclusion of the Uruguay Round and the establishment of the World Trade Organization (WTO) were seen as bringing in a new period of international prosperity in which developing countries were expected to share through improved access to markets.

Indeed, the Uruguay Round of multilateral trade negotiations resulted in a more open, rule-based and predictable trading system and in significant improvements in market access conditions. Furthermore, since the establishment of the WTO, important multilateral negotiations have been concluded that have increased market access for information technology products, basic telecommunications services and financial services. The dispute settlement mechanism of the WTO, which strengthens the multilateral trading system, provides an efficient and effective recourse for defending market access rights.

However, the expected gains for the least developed countries from the stimulus to world trade arising from the Uruguay Round are less clear. They continue to face significant obstacles to market access for their exports. There are still tariff peaks and tariff escalations against their major export items. Furthermore, some standards are too difficult to meet due to the differences in technological advancement.

Cooperation arrangements within the ambit of economic and technical cooperation among developing countries can be used as conduits for realizing the benefits of globalization and liberalization. Within regional and subregional cooperative mechanisms, there is a homogeneity of norms and standards in various areas. If this homogenization of norms and standards is unique to the regional set-up and it operates efficiently and effectively, it may serve as a model to be duplicated in the broader international system. Alternatively, if the norms and standards in the regional context are similar to those demanded by the global community, then this enhances the integration of the developing countries into the world economy.

In this context, South-South cooperation is properly placed to serve the interests of the global economy and of all members of the international community. It is therefore pertinent to encourage countries of the North to provide increasing support to South-South development efforts through, among others, triangular cooperation. The modalities of such cooperation are likely to be implied from the series of meetings comprising the Tokyo International Conference on African Development (TICAD).

TICAD I, held in Tokyo in October 1993, advocated strong South-South cooperation and stressed the need for Africa-Asia cooperation. TICAD II, to be held on 19-21 October, is projected to provide a programme of action for Africa's development in the next century as well as adopt a pragmatic framework for enhancing cooperation between Africa and Asia, including Japan.

The developing countries, and in particular the least developed among them, face several constraints that are impediments to seizing the advantages inherent in the globalized economy. These are: first, weak technological capacity; secondly, paucity of requisite skills in the marketing, entrepreneurial and quality control fields; thirdly, shortage of long-term finance and expensive trade credit; and fourthly, lack of transparency in the legal and regulatory framework.

In addition to these factors, the least developed countries tend to be heavily reliant on an economic base of commodities that are either non-processed or are semi-processed. The decline in commodity prices, which has been exacerbated by the financial crisis of East Asia and other parts of the world, has had a devastating effect on the fortunes of the least developed countries, whose commodity producers now find themselves confronted with a situation of weak demand, large supplies and increasing stocks. Meanwhile, these countries depend on commodity prices for, on average, a third of their export earnings.

The heavy debt overhang of the low-income countries continues to be a hindrance to their investment and growth potential. This has undoubtedly been exacerbated by the recent financial turbulence in some parts of the world. Insufficient funding remains the major constraint to the success of the Heavily Indebted Poor Countries Debt (HIPC) Initiative. It is also necessary that the Initiative's eligibility criteria be made flexible and inclusive. While a number of past measures and policies have been helpful in alleviating the problem to achieve a durable solution, serious consideration should be given to

the proposals for providing additional resources without diverting funds from development assistance.

In the context of the debt burden and the supply-side impediments of the developing countries, we view with deep concern the continuing decline of official development assistance, particularly as it is a major external source of financing for development and is a crucial input for infrastructure and social development. Its further decline therefore means the worsening marginalization of least developed countries in a world economy increasingly being shaped by the processes of globalization and liberalization. To enable the least developed countries to benefit from and to sustain the structural and economic reforms that they have undertaken, it is essential that the flow of external resources to these countries be increased and their efforts at capacity-building and infrastructure development supported.

This high-level dialogue has offered us a chance to devise strategies for seizing the opportunities provided by globalization and liberalization while at the same time exploring ways of mitigating their adverse effects on those countries that lack the wherewithal to take advantage of them. The dialogue has hopefully attained the objective envisaged for it, namely, the strengthening of international economic cooperation for development through partnership between developed and developing countries.

Mr. Calovski (The former Yugoslav Republic of Macedonia): The views of my delegation coincide with those expressed by the representative of Austria speaking on behalf of the European Union. Let me begin my brief statement by expressing the hope that the discussions of this high-level dialogue will help the deliberations of the General Assembly and other forums concerned with the consequences of globalization, as well as the policies of Member States' Governments and of relevant regional organizations such as the European Union. It will be important if we can have, in due time, a follow-up analysis of the deliberations of this forum prepared by the Secretariat.

Although a lot has been written and said about the globalization of the world economy, many aspects of its implications remain unclear. This is so because, as we all know, globalization as a phenomenon is a quality change; it is a living creature, if I may say so. So, for some time, maybe even for a long time, we are going to struggle to discover its implications, positive or negative, for our individual economies and for international economic cooperation. The fact that we have entered a period of full dependence from a period of managed interdependence has something to do with that.

In the context of globalization, we have to worry at present about our national economies. We have to follow and worry about the economy of our partners, of our neighbours, of our region and of our continent, and the global economy. We have to do all that at the same time. Otherwise, if we do not, we will not be able to use our competitiveness. We will be unable to prevent the negative consequences of globalization, and our economy could be marginalized. And that is the worst that can happen to any economy, to the small and weakened ones in particular.

If the intention is to improve international economic cooperation, one of the priority tasks of the General Assembly should be to prevent marginalization of the small and weakened economies. Alone, they are unable to fight the dangers of the marginalization. So, what could be the answer to the present situation of dependence, since in the context of globalization there is no independence, particularly for small and weakened economies?

The answer, of course, is always a very complex one. You will find it in the need to change the present political, economic and social priorities. The present problems in the world economy, to a large extent, are generated by the fact that the globalization of the world economy is not parallel to the globalization of the international political relations. It is clear that we need global action, United Nations action, to change the present priorities, and that change should be managed.

The first priority, in our view, of United Nations action should be the prevention of conflicts and finding solutions for ongoing ones. This can be achieved through strict compliance with the Charter and, as far as the United Nations is concerned, by strengthening the role of the General Assembly, which in the future should work as a parliament of nations, all year round.

The second priority should be the adoption of an open border foreign policy by all Member States in accordance with the Charter. There should be no restrictions on the circulation of capital, goods, services or people. The liberalization of international trade and of economic cooperation should be parallel with the liberalization of international political relations. In the context of our discussion, the enhancement of political and economic integration, particularly from the point of

view of small and weakened economies, is essential. For my country, the Republic of Macedonia, and for those from my region, it is essential that our economies be fully integrated into the economy of the European Union and into Euro-Atlantic institutions. Hesitation in this respect is simply unhealthy.

In order to stop the marginalization of many economies, special measures by the United Nations, by the Bretton Woods institutions and by regional economic organizations such as the European Union should be adopted and implemented, particularly with regard to market access and direct investments. Without undertaking such relevant measures, achieving economic growth, low inflation, and so on, will be difficult.

Globalization is an irreversible trend. Marginalization is, however, preventable. It is correct that, at present, the main concern is the situation of the bigger economies in Euro-Asia and Latin America. It will be an inexcusable mistake, however, if the small and weakened economies are forgotten, marginalized.

I have mentioned some concerns. Of course, there are many others. The essential thing that I wanted to underline at this global forum is that we cannot speak anymore of an independent economy and that we are all responsible for the negative consequences of globalization. This requires that globalization be managed at the national and international levels. The experience of my country suggests that at home we should pursue the policy of continuous adaptation to change required by the globalization of international relations, and abroad we should pursue the promotion of the integration of our economy into the European Union.

We have entered the period of full dependence and, within that framework, we should try to find solutions to the present problems generated by globalization. The conclusions of the report of the Secretary-General on the work of the Organization (A/53/1) can serve as a good base for the preparation of the needed United Nations action. Managing the adverse effects of globalization and strengthening multilateral institutions are essential in order to harness the positive potentials of globalization.

Before I conclude, I would like to take this opportunity to inform you that my delegation, together with some others, is planning to submit to the Second Committee of the General Assembly a draft resolution on globalization and liberalization of the world economy and prevention of marginalization of small and weakened economies of developing countries and of economies in transition. The draft resolution will affirm the importance of the statement of the Secretary-General in his report on the work of the Organization:

> "The task ahead, therefore, is not to try to reverse globalization – an effort which, in any case, would be futile. The task is to harness its positive potential while managing its adverse effects. Strengthening multilateral institutions can help accomplish that task." (*A/53/1, para. 234*)

And considering the urgent need to prevent further marginalization of the small and weakened economies of developing countries and of economies in transition, and to help these economies benefit from the globalization and liberalization of the world economy, the draft resolution will call upon Member States to take, individually and collectively, the needed relevant measures and policies to prevent the marginalization of developing countries' small and weakened economies as well as economies in transition and to help them benefit from globalization and liberalization with a view to their full integration into the world economy. The draft resolution will request the Secretary-General of the United Nations, together with the Secretary-General of the United Nations Conference on Trade and Development and the Executive Secretaries of the regional commissions to prepare an analytical report on the subject of this draft resolution and to submit it to the General Assembly at its fifty-fifth session.

The Acting President: I now give the floor to the representative of Colombia, Mr. Jairo Montoya, Director-General for Multilateral Affairs.

Mr. Montoya (Colombia) (*interpretation from Spanish*): Allow me to begin by congratulating Mr. Didier Opertti on his election as President of this important body. I would also like to express my support for the statement made by Indonesia at the beginning of this debate, on behalf of the Group of 77.

My delegation attaches great importance to this dialogue. At the same time, my delegation would like to express its satisfaction at having been directly involved in the preliminary discussions on setting up this dialogue, a few years ago.

We hope that this political dialogue will continue in the future and will be reflected in an effective contribution by the United Nations to the revitalization of

international economic cooperation. We also stress that this dialogue is being conducted under a new spirit of partnership, rather than confrontation. This new approach should be promoted through the identification of common interests, mutual benefits and shared responsibilities.

But even more importantly, we hope that the outcome and summary of this first dialogue will include the different practical measures that have been proposed in order to address, in both the short and the long run, the economic and social impact of globalization.

Globalization has been subject to many interpretations. We need political and conceptual clarity based on a perspective shared by the different actors. The United Nations is the best place to examine this issue comprehensively, including its political, economic, social, environmental and cultural dimensions. That is one of the main reasons why this two-day discussion has been relevant.

In this context, one of the first questions that I believe will need further consideration is, how can globalization provide effective and durable conditions for accelerated economic growth so as to reduce unemployment, raise wages and reduce poverty? Secondly, how can globalization be compatible with cultural diversity and national identity in different countries and regions? Thirdly, how can globalization help preserve the global environment? And finally, how can globalization lead to a democratic and participatory decision-making process in the economic and development fields?

In addition, it is crucial to remove external factors that limit the scope of globalization. One of the main contradictions in this regard is restrictions to the transborder movement of labour. Labour is one of the most important factors of production, but its international movement is subject to increasing restrictions. In some countries, such limitations have recently been intensified. In others, they will be expanded in 1999.

Another external risk is the insistence on introducing regulations on labour and social standards as a precondition for competing in international markets. This could lead to the denial of opportunities to those countries whose legitimate comparative advantages are rooted in their relatively low labour costs. The attempt to introduce such standards and regulations is clearly contrary to the principles of a free market and of liberalization.

Moreover, decisive steps have to be undertaken to remove obstacles to access to know-how and technology. The international framework on intellectual property does not seem to be entirely consistent with the globalization process because it is restrictive by nature. This issue, therefore, deserves to be revisited.

On the issue of the current financial crisis now affecting the global economy, my delegation shares the view that there is a need to establish mechanisms to ensure that international monetary markets are more transparent and predictable. Likewise, we recognize the importance of addressing the short-term consequences of financial and monetary turbulence and volatility through such instruments as monitoring and regulation.

But my delegation is of the view that the main priority in the long term should be to focus on the management of the global economy so as to ensure that the huge amounts of monetary and financial capital it generates are allocated to productive activities and infrastructure. This is the only way to correct the speculative character that the globalization process has exhibited in recent years.

In addition, my delegation is convinced that there is a need for the international community to launch a global initiative to strengthen multilateralism. Multilateralism needs to be revitalized with a global dimension, involving both the United Nations and other multilateral institutions.

The ongoing validity of the majority of institutions created as a result of the Second World War has been reaffirmed, even after the end of the cold war. However, many of their mechanisms have become anachronistic and inappropriate to the needs of a more open and democratic, globalized world.

To deal with the challenges, risks and imbalances born of globalization, and as the only way to address its governance and management, revitalizing multilateralism is a political, ethical and historical imperative.

The Acting President: I call next on the representative of Uruguay.

Mr. Pérez Otermin (Uruguay) (*interpretation from Spanish*): The successive crises that have shaken the world's stockmarkets are but the most recent manifestation of a process in which the power of governments, the role of corporations and the fate of

their employees, and national cultures are all being transformed by world economic and technological integration: globalization.

It took 13 days for the news of the assassination of Abraham Lincoln in 1865 to cross the Atlantic and reach Europe. The plunge of the Hong Kong stock market in late October 1997 took 13 seconds to strike, like lightning, New York, Frankfurt, Tokyo, Tel Aviv, Sao Paolo and Buenos Aires. That is globalization, now a fact of life. It is not merely a fashionable term of the moment, but represents the fusion of the radical transformations that the world economy has been experiencing for more than a decade.

We can say that globalization is the result of the combination of three powerful forces: technology applied to the search for and transmission of information; the establishment of free-trade areas and integrated economic blocs; and the growing worldwide linkage and interdependence of markets in goods and services and financial markets.

In an increasingly integrated economy, the ability to take advantage of trade opportunities and to overcome the attendant obstacles has become a key concern for States. Many developing countries, especially low-income and least developed countries, lack the capacity to institute legislative frameworks that would enable them to benefit from world trade as a truly effective instrument to guarantee sustained economic growth and sustainable development.

In the face of liberal, outward-oriented trading regimes, developing countries are struggling to improve their tiny participation in world trade. The multilateral institutions that promote development, including the United Nations, must continue to work to provide strategic assistance to developing countries in their efforts to maximize their opportunities in the sphere of trade.

One of the gravest consequences we face in today's globalized world is the lack of employment opportunities. Unemployment, which in Europe has reached 11 per cent of the population of working age and which affects more than 18 million people, is a clear indication of the magnitude of the problem. Why is this happening? There are many, complicated factors, but first and foremost among them is the overwhelming, profound and irreversible technological revolution, which is lowering production costs, but at a high social price, by replacing human skill with sophisticated machines.

In the early years of the 1990s, employment rates consistently fell nearly everywhere in the world. A report of the United Nations Conference on Trade and Development notes that worldwide there are today 120 million unemployed and 700 million underemployed. International Labour Organization experts have identified two basic causes of this phenomenon: globalization and economic liberalization. The first is marked by the movement and transfer of major capital flows and by the quest for highly specialized, low-cost labour. The second has broader effects, to the point where adjustment policies mean new allocations of resources, which benefit some sectors and harm others. This has led to a new phenomenon in many parts of the world: growth without job creation.

The globalization of the economy involves the processes of integration and the opening up of trade; these are under way in all regions and are not coming to an end. This creates a new challenge for all countries: to acquire a competitive and specialized production apparatus, which means the closing or conversion of industries and businesses that are no longer viable and the temporary loss of jobs.

Today, we cannot think of globalization without a full grasp of the meaning of the development of scientific and technology, which can no longer be viewed as a lesser activity. We cannot disregard the vital role of scientific and technological development as the key motive force for growth and well-being. Scientific progress is today a crucial tool for eradicating poverty, creating employment opportunities, improving the quality of life, promoting culture and protecting national security. It must thus be a priority concern for every government as it shoulders its responsibility for promoting the creation of new knowledge and for coming to grips with it. The key to success in international competition lies in the capacity for innovation.

Today we are looking at globalization from the economic standpoint and are therefore assessing the social consequences of that phenomenon. But we must not forget that globalization must be conceived first and foremost as a cultural phenomenon which then becomes an economic phenomenon. Why is this? Because it is born of science rather than of the economy. Globalization is a fact, not an ideology. It is a fact that has astonishing consequences: in 50 years there has been a five-fold increase in world production and a 15-fold increase in trade flows. Hence, it has an impact on the development of capital and currencies; what increases enormously is

production. This means that wealth is not merely the physical or material product itself.

Another consideration worth mentioning is that globalization has not eliminated blocs. Countries find it increasingly necessary to supplement each other's needs and foster free-trade spaces. That is why our country, Uruguay, has sought to respond to this new challenge by joining MERCOSUR in order to accelerate and update the liberalization process and progressive association of Latin America. It was not by chance that the General Agreement on Tariffs and Trade negotiations were initiated in our country, since we felt the need to lead and promote the trade liberalization process. Uruguay views the integration process as a mechanism for joining the globalized world.

Our country experienced a crisis in the early 1980s and absorbed its lessons. Thus, we have since developed a policy based on careful regulation, which today allows us to enjoy a sound and solvent financial system. Our Government therefore recently ratified its commitment to meeting the economic goals established for this year and set its priorities for 1999. These priorities include an inflation index of between 4 per cent and 5 per cent; economic growth of approximately 3 per cent; and a fiscal deficit of approximately 0.8 per cent, maintaining the basic balance of our economy through essential fiscal measures, specifically in public spending.

We also support any precautionary measure that may be adopted by the International Monetary Fund (IMF) to mitigate the devastating effects of the global crisis that is currently of such concern to us. These commendable efforts are being made not only by our country, but by the rest of the region as well. We must all fulfil our duties – the developed countries in their sphere, the Bretton Woods institutions in theirs, and the various Governments in complex budgets of their national economies, continuing to promote the necessary structural reforms and assisted by the competent international agencies.

The impact of globalization on our region, and especially the effects of the recent financial crisis, are directly affecting our economies. Over a year ago, when the South-East Asian crisis erupted, our perception of these matters changed drastically. Latin America needs to attract $50 billion a year in private international investments in order to sustain its rate of growth. This cannot occur if the gain per risk for each country does not return to its previous levels.

Nevertheless, returning to a consideration of the region as a whole, there is some fear that the loss of trust in the markets and the evolution of our countries may lead to a round of devaluation, which will revive inflation, thus recreating the vicious circle of past decades. One of the main problems is that the Asian debacle and the recent financial crisis in the Russian Federation have not only eroded confidence in those countries, but have spread the contagion to Latin America as part of the so-called emerging markets, without reflecting the differences in their domestic circumstances. In this respect, Uruguay is a noteworthy exception to the rule, since the country's national debt is categorized at the investment level and therefore allows outside financing at low cost.

To conclude the dialogue that has brought us together today, we would simply repeat the statement of our Minister of Economy and Finance at the recent meeting of Presidents of the Central Banks and the IMF. The Minister said:

> "Uruguay, as a small country, will be unable to solve global problems, but will certainly strive to avoid complicating them further."

The Acting President: I give the floor to Mr. Abdul-Qader Ba-Jammal, Deputy Prime Minister and Minister for Foreign Affairs of Yemen.

Mr. Ba-Jammal (Yemen) (*interpretation from Arabic*): At the outset, I extend to Mr. Opertti our warmest congratulations on his election to the presidency of the General Assembly at its fifty-third session. I am confident that the Assembly's work at this session will be crowned with success under his able leadership.

We are discussing today an issue that preoccupies us and affects our nations' and States' lives and relations. That is because it is closely linked to our destiny and future, as well as to the parameters and features of that future for the coming generations.

Many of us understand that globalization is the theoretical economic option of free trade and liberalization following the collapse of the socialist economies and the end of the cold war in the twilight of this century. Some of us understand that globalization is a new tool to control the division of labour in the world and to maintain the status quo of the poor and consumers without ideological or political slogans. Each of us can interpret globalization however it may serve national and

regional economies. That is because, to date, no one can claim that globalization is a theory or philosophy conducive to international cooperation and humanity's happiness.

This question requires a more comprehensive and detailed dialogue that focuses directly on tangible matters, such as the terms of transportation and liberalization, the movement of capital and investments, safeguards and financing. We must therefore engage in an in-depth discussion that concentrates on details, illuminating the issue and helping us to understand it.

We ought all to share an equal understanding of the matter at hand. We, the group of least developed countries, view globalization with terror, because isolation and marginalization will threaten our countries if we do not help one another. We have seen these active patterns in Asia, whose economies were until recently described as miraculous. Today, we are witnessing violent fluctuations there. If globalization is a comprehensive concept, it ought to help us understand and solve crises. The approach of globalization should include constant, permanent and stable guidelines, including ethics and sound initiatives and transactions in the areas of financial markets, investment and monetary policy.

The questions of developing and least developed countries remain unanswered because the responses entail obscure possibilities and visions. To simple people who are looking for a way out of their indigence and poverty in countries such as ours, talking about globalization appears to be an intellectual and theoretical luxury. Globalization currently does not present any tangible picture of equality. What is even more dangerous is that we are talking about globalization as if it were a future, providential destiny and a single option. Such logic hampers dialogue and may even block all opportunities for free thinking. It makes it appear as if we were engaging in contracts of submission.

The least developed countries, including Yemen, need to undergo an immense rehabilitation process in order to lay the necessary developmental and economic groundwork with a view to contributing to international integration and to playing a role in international partnership.

Globalization means new systems, radical reform programmes and new, effective and active government instrumentalities. All this cannot be fulfilled with a magic wand. We need intensive efforts and broad cooperation. The matter is not related solely to cooperation among countries at the governmental level. It relates also to broadening cooperation with private capital and the enhancement of work techniques.

While the positive elements and prospects of globalization offer opportunities for economic progress and prosperity, the narrowing of huge gaps is the main approach to making globalization not a marginal, but a true, system of partnership. Consequently, the question of narrowing the basic economic, technical, communication and administrative gaps emerges as a substantive and basic issue.

In this connection, what are the Bretton Woods institutions, the World Bank, the International Monetary Fund and other affiliated institutions and agencies going to do? They have to transform themselves from institutions that hasten to manage crises into institutions that try to prevent the emergence of such crises. They must also work with the group of richest nations which are capable of formulating a development programme of rehabilitation for developing and least developed countries so that our world is not confronted with great disparities under circumstances in which some of us are caught unawares, and even without other options which are less taxing to us. Our countries have to understand precisely the road they are travelling, the terms under which they are participating in the process and the price they have to pay, and to what extent.

In conclusion, some of us have posed questions on this occasion, while others have tried to answer some of them. That, in reality, is the value and benefit of such excellent exchanges.

The Acting President: I now give the floor to the representative of Nigeria.

Mr. Osio (Nigeria): On account of unforeseen circumstances, and considering that copies of our statement have been duly filed with the Secretariat since yesterday morning, when we were to have spoken, my Ambassador, the Permanent Representative of Nigeria, has sent me to deliver the statement of the Nigerian delegation on behalf of our Foreign Minister, who is unable to be here due to other pressing national assignments.

The Foreign Minister has asked me to congratulate the President on his recent election to lead this session of the General Assembly and to assure him that he eagerly looks forward to participating in all the business of the days ahead. We also want to thank him for the

opportunity to participate in this high-level dialogue, whose complex theme is very relevant to us in the developing world. Meetings of this nature advance our knowledge of the issues and the stakes.

At the outset, my delegation fully associates itself with the statement made yesterday by the Foreign Minister of Indonesia on behalf of the Group of 77 and China.

In our large world, which technology is turning into an ever shrinking global village, it has become clear that no one nation can afford to be an island unto itself, as very few nations, if any, can boast of having all their socio-economic and scientific needs provided solely from their own natural endowments within their national frontiers. Interdependence among nations big and small has therefore become as inevitable as the need to free their economies in a global market, in the hope that needed goods and services can be exchanged among nations on an equitable, transparently predictable basis. In this light, globalization becomes, as it should be, a people-oriented means — not an end in itself — of satisfying the needs of interdependent peoples, or one global family.

My delegation believes in the utilitarian value of globalization. But however new the concept is, has globalization always been beneficial to the people it is meant to serve? No. In what ways have its effects been adverse? Several. For lack of time, we will proffer only a few reasons for this situation, which policy makers need to look into.

For instance, to a large extent, the current global financial turmoil — which has severely affected the hitherto tiger-strong economies of South-East Asia — could be traced to the efforts of the countries of that region to embrace the concept of globalization and the liberalization of their economies to absorb foreign direct investment flows. The volatility of the currency markets which ensued finally left in its wake telling adverse social and economic effects on the people of those countries, with potential contagious effects for other economies of the world.

On the other hand, the comparatively poorer economies of some other nations which, against great odds, exerted lesser liberalizing efforts to join the mainstream of the global economy, cannot be glossed over. Since the early 1980s net inflows into the 40 nations, mostly in Africa, which are classified as highly indebted poor countries have averaged 1.5 per cent of national income per year. This factor increased their external debt from $55 billion in 1980 to $206 billion in 1996. For this set of countries the current global financial turmoil rooted in efforts at globalization will compound an already bad situation, given other factors. Among those factors is the ever-falling price of commodities, for which reason the global market cannot provide the poor developing countries with any respite from their excruciating foreign debt burden. Such nations will therefore continue to suffer weak growth and poor export performance. The ultimate result is that, unless a deliberate policy is implemented to cancel their debts, any effort on the part of those poor countries to get on the globalization train will be fatally crippled and their citizens caught in a quagmire of further social and economic deprivation.

It is a valid point that while globalization can have good and bad social and economic impacts and benefits, there are also socio-economic factors which can stunt the efforts of willing nations at integrating into the global economy. Both hold good food for thought on the design and delivery of the appropriate policy options.

In fact, in an intricately interdependent world such as the one we live in, no nation should be marginalized from globalization and its benefits. In this same spirit, all nations should assist one another to remove all the obstacles, tariff and non-tariff, that bar their way to integrating into the world economy. In both the deregulating and liberalizing processes, eventual globalization should have a human face and aim at maximizing the economic and social benefits to the nations and citizens involved.

Indeed, it should give no one cause for joy or comfort, in any quarters, to see that in a world affected by the process of globalization, more than a billion people live in poverty, in absolute terms, and have been marginalized within the same international civil society and thereby denied the opportunity and economic right to participate in a productive economic life.

On a brighter note, we have seen, and are indeed encouraged by, the open concern and spirit of solidarity being displayed by some developed countries with respect to the financial turmoil which has engulfed or threatens to engulf their counterpart developed countries. We appreciate the frantic efforts being contemplated to avoid its contagion, and we welcome the extension to the developing countries of this spirit of making globalization trouble-free. Under the one-family umbrella of the United Nations and with the help of the multilateral financial institutions, we should see to it that just like the ignorance and adverse consequences that accompanied the

efforts of each nation before integration, the benefits and joy consequent upon globalization should be made to go round our interdependent world.

The President (*interpretation from Spanish*): I give the floor to the Permanent Representative of El Salvador.

Mr. Castaneda-Cornejo (El Salvador) (*interpretation from Spanish*): El Salvador is pleased to take part in this high-level dialogue of the General Assembly on the theme of the social and economic impact of globalization and interdependence and their policy implications, and we fully support the ideas put forward by the Minister for Foreign Affairs of Indonesia, Mr. Ali Alatas, on behalf of the Group of 77 and China.

The issue under consideration is relevant indeed, as we believe that a candid exchange of views and experiences can contribute to our thinking and allow us jointly to analyse and seek mechanisms to overcome the negative impact of this important and inevitable phenomenon, which has affected the developing countries in particular.

Globalization and the liberalization of markets has provided great opportunities and major challenges for the international community. The advantages of globalization are known to all. Major progress has been made in poverty reduction, and international trade and private capital flows have reached unprecedented levels. The major advances in the areas of technology and information have practically eliminated the barriers of time and distance.

However, as is well known, not all countries are benefiting equally from globalization. Countries with small economies, as well as the more vulnerable sectors of society, are still marginalized by globalization. We are concerned to see that the gap between countries as well as within the countries themselves continues to widen.

The international community must jointly work in a spirit of cooperation in seeking solutions to reverse this trend, and it must devise measures to ensure that the opportunities and advantages provided by globalization may be shared by all countries and all national sectors of those countries in a more equitable and fairer fashion.

The dangers of growing interdependence have been made clear in the analysis that was made of the recent economic and financial crises that have affected various regions of the world and particularly the most vulnerable sectors of society. The contagion effect is such that financial crises in one region have a negative impact on different parts of the world and reach different sectors of the international community, making it clear that this could bring about the threat of a worldwide recession. More then ever before it is imperative to join and redouble efforts in order to establish mechanisms aimed at reducing the dangers of this interdependence and avoid that which some rightly label "the globalization of economic and financial crises".

It is also important to establish national, regional and even multilateral mechanisms in order to monitor and watch closely capital flows, particularly short-term ones, in order to avoid the drastic capital flows that can lead to destabilization and financial crises. We believe also that it is of the utmost importance to establish social safety nets in order to protect and safeguard the most vulnerable segments of society.

We cannot speak of globalization without touching upon the issue of cooperation for development. We all are aware that in this era of globalization and liberalization of markets, the role of international trade and private investments is becoming increasingly important in developing countries to foster economic growth and sustainable development. It is true that private capital flows from developed to developing countries have been increasing, often rapidly. But it is also true that such flows are not distributed equitably among all countries. Countries with smaller economies, such as mine, are often excluded from the benefits of private investments.

We note with great concern that in recent years official development assistance has been consistently decreasing. For many countries, including mine, official development assistance continues to be an important resource for us to carry out programmes aimed at achieving sustainable human development, which depend largely on international cooperation programmes.

It is important to recognize that most social projects, such as education, health care and basic infrastructure, do not succeed in attracting private capital, because often these sectors present few opportunities for profit for national or foreign investors. Official development assistance will continue to be an important complementary effort, and one that is in some cases indispensable to guarantee the sustainable development of developing countries. Thus, we deem it very important to strengthen mechanisms of international cooperation and financing for development.

El Salvador recognizes the importance of our country's integration into the world economy, and countless efforts are being made towards this objective. Since 1989, El Salvador has been implementing a system of social market economy and has already achieved a stable macroeconomic situation with sustained growth. We have also been carrying out a policy of comprehensive liberalization of our economy, with major tariff reductions and the elimination of non-tariff barriers, consistent with the World Trade Organization's regulations. There are programmes of State modernization, within which important measures and decisions have been taken, such as those to privatize the telecommunications and energy sectors, with part of the funds from the sale of State enterprises being used to implement a set of major social investment programmes. We are also implementing a national competitiveness programme wherein the training of human resources, the promotion of exports, in particular of non-traditional exports, the attraction of investments and the modernization of our infrastructure are of fundamental importance.

One of the objectives of El Salvador's economic openness is the promotion of national and foreign investments in the country, focusing on efforts to diversify the productive sector and designed to promote the development of technological capabilities so that it can meet the challenges of globalization. Openness has led to favourable results that have placed El Salvador in a stable economic position, which has been recognized by institutions of international prestige.

Nevertheless, El Salvador has difficulty in attracting direct investment capital because of increasing competition. As many other speakers have stated, only a small number of developing countries attract the great majority of private capital flows, and the weaker countries are marginalized despite their major efforts to organize and adjust their macroeconomic policies so as to become part of the world economy.

Finally, I would like to place special emphasis on the need for the United Nations to continue making efforts to promote dialogue on international cooperation for development. We, the developing countries, are working to become part of the world economy. But we need to have a climate of security which will guarantee access for our products to world markets without conditions and disguised protectionism. We need the right climate to promote the transfer of technology in full agreement with the rules on the protection of intellectual property but with favourable conditions for the developing countries. And we need an environment which will facilitate transfers of private capital, especially for countries, such as El Salvador, which have small economies but which have made positive strides to achieve a stable economy in a context of consolidating democracy and promoting human rights.

The Acting President: I now give the floor to the Rapporteur of the first ministerial round table on national responses to globalization, Mr. Percy Metsing Mangoaela of Lesotho.

Mr. Mangoaela (Lesotho): Allow me to present to this plenary meeting of the General Assembly a summary of one of the two ministerial round tables on social and economic impact of globalization, the one on national responses that was held this morning.

The ministerial round table opened with a statement by the Chairman, Minister of State Helmut Schäfer of Germany. The discussions revolved around the challenges and opportunities arising from globalization, the need for a level playing field for developed and developing countries to ensure an equitable sharing of the benefits of globalization and the need for national policies on the part of developing countries and their partners with a view to facilitating integration of developing countries into the global economic processes, as well as to protect the segments of the population that are adversely affected by globalization. The round table addressed a number of salient issues, including the following:

First, globalization was seen as an inevitable process. This is now a universally shared perception. It is also widely believed that it has the potential for providing substantial opportunities to all countries. There is hardly any scope for countries to opt out of this process; a country stands to lose much by deciding not to opt in. One should not overreact to pressures and costs that globalization can impose on countries or segments of the population. While such difficulties, and the perception of Governments' powerlessness in coping with forces causing instability, can engender deep uncertainty and frustration, that should not lead one to believe that globalization is an evil force that can and should be abandoned.

Secondly, there was the need for a level playing field. Although tremendous gains had been made from globalization, such benefits remained unevenly distributed among and within countries. Industrialized countries had made substantial gains from the process. For an overwhelming majority in the developing countries, the

consequences of globalization had been traumatic. Most developing countries did not have the institutional endowments to effectively integrate into the world economy. Even within industrialized countries, certain segments of the population had been excluded from the benefits of globalization. For countries bypassed by the globalization process, costs of the process appeared to be much higher than the benefits accrued. In many developing countries, social consequences included worsening poverty and declines in employment, education and health status. The asymmetric distribution of benefits and risks arising from globalization warranted a new contract between developing and developed countries based on genuine solidarity and shared responsibility, with a view to creating a level playing field for all countries to take full advantage of the process. A central aspect of this contract should be a common vision of universal growth and development that benefits all Countries and all individuals.

The President took the Chair.

Thirdly, there was a need for national policy responses. Managing globalization was viewed as a fundamental issue. Countries needed to fashion an optimal response by designing and sequencing their integration into the world economy in a manner commensurate with their particular circumstances. Policy approaches to this should contain a proper balance of emphasis between maximizing opportunities and minimizing risks. A properly sequenced approach was advocated as opposed to big-bang liberalization.

Developing countries should bear the primary responsibility for their development policies and measures. They should pursue sound macroeconomic policies, strive to increase domestic savings and investment, strengthen institutional, legal, regulatory and supervisory capacities and improve economic management in the public and private sectors. They should ensure transparency and accountability in the decision-making process and avoid corruption.

In coping with crises arising from globalization, new regulations to anticipate such crises were needed. Reduction of private-sector debt commanded particular urgency. Once a country slumped into deep difficulties, it might need to have recourse to a temporary standstill with regard to outflow of capital, as suggested in the *Trade and Development Report 1998*.

While some sections of the population might be excluded from the benefits of globalization, or even be harmed by the process, it would be important to build international strategies – such measures as might ameliorate the negative consequences of globalization. There was a need to put in place social safety nets to shield vulnerable segments of the population from the possible deleterious consequences of globalization.

And finally, although the topic for the morning was national responses, there were so many intersections between national and global responses that there were a few diversions into international responses. The morning session talked about increasing official development assistance to support the development of certain sectors such as education, health and infrastructure, as well as debt reduction, support for setting up social safety nets, fairer trading arrangements and facilitating private capital flows.

As can be seen from the summary I have just given, the exchange was comprehensive and deep and was undertaken with all seriousness. The outcome truly justifies the time spent on the examination of the issues raised by globalization and liberalization – only as a starting point for a focused and long-term addressing of these phenomena.

The President *(interpretation from Spanish)*: I thank the Rapporteur of the first ministerial round table, and I now give the floor to the Rapporteur of the second ministerial round table on international responses to globalization, His Excellency Mr. Jānis Priedkalns of Latvia.

Mr. Priedkalns (Latvia): In reporting on the ministerial round table on international responses to the social and economic impact of globalization, I acknowledge the excellent contributions of the Chairman of the round table, of the national representatives and the representatives of the United Nations agencies, the United Nations Development Programme, the World Bank, the International Labour Organization and the United Nations Under-Secretary-General for Economic and Social Affairs.

In the view of the speakers, globalization represents the dynamics of the world economy at the end of this century. The processes that have facilitated the technological innovations of the recent past have guided the process of globalization. Capital today has an unparalleled degree of mobility. The volume of world trade and foreign direct investment is increasing more rapidly than the gross domestic product, and a growing

proportion of the investment takes places in transnational companies.

At the same time, globalization, in the view of the representatives, entails risks for societies and economies. While the international responses to the social and economic impact of globalization are generally assessed positively, the national responses are varied. It is stressed by many societies, particularly the smaller and technologically less developed ones, that social structures should develop in parallel to the new economic environment. It is emphasized that marginalization may constitute a serious problem for those countries most in need of increased trade, investment and growth, as well as of stronger financial structures to absorb the stresses of sudden shifts in market orientation. This raises the prospect of a widening gulf between countries that are able to benefit from globalization and those that find it difficult to profit from a liberalized, deregulated system.

It is also feared that globalization endangers social structures and undermines cultural diversity, as well as national and regional identities. These challenges transcend the economic sphere and point to the need for culture-based instruments to address effectively the issues of inclusiveness and the participation of all peoples.

Recent events have shown that the current global financial crisis is not an Asian crisis; it is much more pervasive. No one is quite safe. An adequate international response has become necessary. Indeed, much improved global governance is required to match the challenge.

The development of national systems — financial, taxation, accountability — must be accompanied by global regulation, particularly in reference to foreign-exchange turnover, which we know is significantly greater than the real economies themselves yet affects exchange rates. The 1990s have shown this problem to be partly explained by the money-transfer system. Secondly, the trade account instruments only partly shape a country's position. Rather, it is capital, assets and investments that are responsible for the trade account situation.

Contrary to the past, problems today have emerged not because of current account imbalances, but because of sudden, disruptive changes in the capital account. The amounts of resources involved are of such magnitude that they have overwhelmed the available funds in the international financial institutions, despite very strong additional bilateral support for many countries. Thus a plan for an adequate level of funds to anticipate and to prevent future crises remains a major collective challenge.

In the short term, the key is to assess the capability of the international monetary system to manage the crisis. Two possible avenues were presented by the speakers: redrawing the global financial rules with marginal institutional changes, or redesigning the global financial architecture. Whatever the avenue chosen, it is essential that we adapt the international financial institutions to the requirements of the next century.

Besides designing financial rules of international governance, domestic policies are also important. Prudent regulations and good management at the national level are essential.

Globalization, in the view of most of the speakers, is irreversible. Yet exclusively market-driven globalization is acknowledged to be indifferent to fairness, indifferent to human and social progress. Major joint efforts by members of the international community are needed to devise norms in order for globalization to become truly supportive of human development. The United Nations itself is the most obvious candidate to assume normative leadership in this process.

We are faced with a major task. In the view of the speakers, national and international responses are required to make globalization an overall positive development so that the quality of life — both economic welfare and the enjoyment of cultural heritage — of all people may be improved. Policies must be designed for fair world trade and a global civic society so that the benefits may be shared by all people.

As emphasized by the representative of the International Labour Organization, social and human progress on the one hand and economic growth on the other must be linked. Human resources world wide must be involved, with the United Nations agencies and the Economic and Social Council playing a central role in shaping the vision of the future of the world. The capacity for teamwork and the experience of the United Nations form a solid basis on which to carry out this task.

The President (*interpretation from Spanish*): I call on the representative of Indonesia, who will make a statement on behalf of the Group of 77 and China.

Mr. Alatas (Indonesia): We have come to the conclusion of what has undeniably been a very productive and enlightening two-day dialogue on issues of vital importance to the Group of 77 and China and to the world at large. Over the past two days we have focused our deliberations on the social and economic impact of globalization and interdependence and on their policy implications.

At this point I shall not endeavour to present a summary, much less outline the conclusions, of our discussions. The rapporteurs of the two round tables, one on national responses and the other on international responses to globalization, have provided us with insightful reports on how the lively and stimulating debate proceeded. From the discussions a very encouraging convergence of perceptions emerged among all participants — representatives of Governments, of United Nations agencies and of non-governmental organizations; representatives of developed and developing countries — as to one particular current aspect of globalization, namely the recent financial and economic crisis, which started in one part of the world, East Asia, but which in its scope has now undeniably become a global crisis and which in its nature has evolved from a monetary and financial crisis to a full-blown economic and social crisis.

It is also quite clear that, in facing globalization with its vast opportunities as well as its dire challenges, the international community is called upon to take urgent steps — globally, regionally and nationally — to manage this force of globalization with a view to maximizing its benefits and minimizing its risks.

At this stage, I would like to express, on behalf of the Group of 77 and China, our deep appreciation to the Secretary-General and his able collaborators for making it possible to convene these important meetings, and to our partners in the developed world for responding so positively to our call for a renewal of the dialogue.

As may be recalled, the Group of 77 and the non-aligned countries called for this renewal of the dialogue some four years ago in the hope that this dialogue would not only strengthen economic cooperation among all countries, developed and developing alike, but would do so on a new basis, a basis that had not hitherto been applied or adopted in similar circumstances. That new basis, as has been elucidated on several occasions, is one that derives its importance from a sense of common benefit, of mutual interest and of genuine interdependence. These together, in the hope of the developing countries, will result in a new kind of equitable global partnership.

We hope that this first, very encouraging step of a renewed dialogue will not stop here as a one-shot affair. We hope that from this dialogue will grow a habit, an agreed way of continuing, and a further developed dialogue on issues of vital common interest to both the developed and the developing countries. We hope that the new approach to this dialogue — as I said, based on a commonality of interests and of benefits rather than on a confrontational agenda or on the adversarial approaches of the past — will lead us to the resolution of problems that require our urgent attention and urgent common action. We believe that the current economic and financial problems of the world require global solutions that can only be achieved through such a partnership, and that globalization makes it even more imperative that we work together to face the challenges of the coming millennium, which is already knocking at our door.

The President *(interpretation from Spanish)*: I give the floor to Mr. Lennkh, representative of Austria and Director-General of the Department for Cooperation and Development of the European Union, who will speak on behalf of the European Union.

Mr. Lennkh (Austria): Speaking on behalf of the European Union, I should first like to express our gratitude to the Secretary-General and to Under-Secretary-General Mr. Desai and his team for organizing this meeting, which, given the current economic turmoil and uncertainties, has indeed been very timely.

We also welcome the interactive format of this meeting, in particular the inter-ministerial round tables, as well as the expert panels.

For us, too, now is the time not to give a complete summing up of this very rich and lively debate, but only to make a few points and highlights of what we have retained from this discussion. We thought it was a very constructive discussion on the opportunities, challenges and risks of globalization. There was a broad consensus that free trade and free capital movements have brought about gains and opportunities to developed as well as developing countries. It was also felt, however, that not all countries benefit equally from these gains and that it is in particular the least developed countries that are facing severe problems of marginalization.

There are adverse effects of globalization, such as the volatility of short-term capital flows, which carry serious risks, in particular for many of the emerging market economies. From the various interventions which addressed national experiences, there emerged a fairly wide consensus on the importance of appropriate policy responses to these challenges at the national level. There seems to be a growing convergence on what sound policies are. Besides strong macroeconomic fundamentals, a sound institutional and regulatory framework is critical for effectively managing the consequences of globalization.

But it was also pointed out, very importantly, that the social dimension must be an integral part of these policy responses, including a better distribution of the benefits of growth. The need to support, in particular, the poor developing countries in improving their institutional and management capacities to cope with the challenges of globalization was widely felt. There is also a continued need for substantial official development assistance flows, both for the institutional tasks and for the purely humanitarian response that is necessary in many cases.

There was a strong call to refrain from protectionism and isolationism. There was a broad consensus that there is a need for strengthening the multilateral system for coping with the urgent tasks which are before us. But common responses have to be built on shared values that reflect the broader aspirations of our global societies. The United Nations, with its broad mandate and its legitimacy, is a unique forum for defining the principles and norms necessary to harness the potential of globalization.

Let me conclude that, in the end, many questions arose from this meeting. We do not yet have the answers and it is now time to give thought to common responses. We therefore gladly take up the call of the representative of Indonesia, speaking on behalf of the Group of 77 and China, to work at these responses in a true spirit of partnership.

The President *(interpretation from Spanish)*: I now give the floor to Mr. Michael Southwick, Deputy Assistant Secretary of State for International Organizations of the United States of America.

Mr. Southwick (United States of America): I want to express the appreciation of the United States Government for the opportunity during this dialogue to advance our mutual understanding of the opportunities and risks associated with the process of globalization, a process that has surprised all of us by the speed with which it has transformed our lives. Indeed, this dialogue, as stated by our Colombian colleague just a few minutes ago, has been conducted under a new spirit of partnership rather than confrontation.

In his speech to the New York Council on Foreign Relations on 14 September, President Clinton clearly articulated our common stake in the continued expansion of a stable and open world economic order that can serve the needs of ordinary people around the globe. He has pledged that the United States will work with our international partners to mitigate the impact of the current financial crisis and to intensify our efforts to reform our trade and financial institutions so that they can respond better to the challenges we now face and those we are likely to face in the future. He has expressed what all of us here feel – that it is unacceptable that economic turmoil should plunge millions into sudden poverty and misery. The United States will not stand by and watch this happen.

This has been an exceptionally frank and constructive dialogue. Speaking for the Group of 77 and China, Indonesian Foreign Minister Mr. Ali Alatas, in his opening remarks, considerably advanced our discussion. He reminded us that we share a common commitment, developed over decades, to combat poverty and that we have a legacy of cooperation and institutions which we have laboured to construct for that struggle. We can also all take heart in his faith that even the most severely affected economies are capable of an early recovery, given an environment that is conducive to rigorous reform, access to development finance and export markets, and participation in technological progress. In short, the answer lies not in resisting globalization – that is neither possible nor desirable – but in making it work better.

The United States is well aware of the pain of adjusting domestically to globalization. We can well understand the impact of the current financial crisis on the poorest, the potential threat to new democracies and the temptation to seek short-term relief by returning to failed policies of the past. We therefore express our admiration for Governments that are determined to stay the course towards our common vision of a stable world comprised of open, prosperous, democratic societies.

The exchange here over the past two days has opened many windows on the social and economic impact of globalization. It is clear that we must move beyond the status quo. The challenges are quite formidable.

Nevertheless, while the impact of the financial crisis is already broad, we must distinguish among the issues confronting those countries which have aggressively embraced the globalization process by liberalizing their economies and those which have not. Similarly, while the current economic crisis has already had severe social consequences in many countries, we should recognize that those countries which have already effectively addressed the structural causes of poverty by investment in human capital, expanded democracy and sound employment-enhancing policies face a very different problem from those which have not. Finally, the fact that nearly every speaker here agrees that institutional weaknesses, international and domestic, are the core of the problem should contribute to shaping a positive and comprehensive approach to globalization. Balancing reform and relief, country by country, will need careful attention.

President Clinton has already proposed a six-point response to the financial crisis. The discussions here will provide valuable input into that process. The United States Agency for International Development is already adjusting its assistance programmes to take into account the human consequences of the crisis by providing support to social safety nets and financial institutional reform. As stated earlier, the United States will work with the international institutions to find solutions. The Clinton Administration fully understands the importance of strong international leadership on these issues. We will contribute our part.

The President (*interpretation from Spanish*): I now give the floor to the Secretary-General, Mr. Kofi Annan.

The Secretary-General: Mr. President, Excellencies and friends, ladies and gentlemen, there can be no subject more important than the one you have been discussing here for the past two days. Nor could your meeting be more timely. I am only sorry I was not able to be with you throughout the discussions. As you know, the dates for this meeting were fixed at short notice, and I had a long-standing engagement elsewhere which I felt I must respect. But I have been following your proceedings closely through my staff. I congratulate you on getting down to the hard substance of your agenda, and I am glad you have done so through informal panels with outside experts. That is one more example of fruitful interaction between States and non-State actors, which I hope the world is coming to see as a hallmark of the United Nations.

What started last year as an Asian crisis is now clearly becoming global. No part of the world is unaffected, though of course not all regions are affected in the same way. Indeed, not the least dangerous aspect of this crisis is that it threatens to further widen the gap between the rich and the poor, both within countries and at the global level. In a sense, this is the first major crisis of globalization. But I am glad you have not wasted your time discussing how far it should be blamed on globalization. That might be interesting for historians, but it would not be helpful for policy makers like you. Globalization is a dominant feature of our times, and we have no prospect of reversing it, even if we wish to do so. What we do have to do is to devise ways of managing it better. We have somehow to maximize the benefits and to protect those who are in danger of becoming victims.

My good friend Ali Alatas, the Foreign Minister of Indonesia, put it exactly right when he told you that rather than stifling globalization and further integration of the developing countries, we should explore how globalization can best serve all humankind and how its unpredictability can be redressed.

I know many developing countries are going through very difficult times this year. The temptation to retreat into nationalism or populism can be strong. But I am encouraged to see that in almost every developing country those false solutions are being rejected. I noted this especially at the summit of the Non-Aligned Movement in Durban, which I attended earlier this month. That summit produced an eloquent Declaration for the New Millennium, which said, among other things, that

> "the creation of a multilateral rules-based system is fundamentally an advance, but to be successful it must carry the endorsement of, and active participation by, developing countries".

Indeed, my friends, that must be the way forward. If something has been wrong up to now it is that developing countries have often been far too passive rather than active participants in the search for a collective response to globalization.

In many of the bodies where decisions affecting the world economy are taken — from the Group of Seven through the World Trade Organization to our sister Bretton Woods institutions in Washington — the strongest voices are those of countries which have already achieved economic success. None of those institutions is infallible, nor would they claim to be, but all have a great deal of wisdom to offer. One of my priorities since I became

Secretary-General has been to forge closer working relations with them.

But the United Nations does have a unique and indispensable role to play. Our broad mandate, our universal membership and our ability to involve non-State actors, all make the United Nations uniquely well equipped to help forge a global response to the crisis, which is global not only in the geographical sense, but also in the range of issues that it raises. We have, I believe, a special responsibility to insist on the need for global solutions based on global rules that are fair to all. We also have a responsibility to ensure that nations react not by turning away from each other, but by coming together to find solutions based on the founding principles which we all have in common. And we have a responsibility to insist that the interests of those hardest hit by the crisis are not forgotten.

This year, according to our latest estimates, the cost to developing countries of the collapse in commodity prices is equivalent to roughly 8 per cent — and for Africa as much as 15 per cent — of the value of their 1997 exports. Those figures imply terrible hardship for millions of individuals. Something must be done to bring them relief. The most obvious measures are those mentioned to you by the Deputy Secretary-General yesterday: increased flows of official aid, carefully targeted to meet the real needs of the poor; and swift action to reduce the debt burden on the poorest countries, which the crisis has made even more unsustainable. The industrialized world, so far, has been relatively little affected. But, as its leaders are beginning to recognize, that state of affairs cannot continue indefinitely.

A week ago Wim Duisenberg, the president of the new European Central Bank, warned that the international financial turmoil will have a dampening effect on world growth. And on Monday President Clinton said that the future prosperity of the United States

> "depends on whether we can work with others to restore confidence, manage change, stabilize the financial system and spur robust global growth".

I very much welcome that statement, and the six-point programme which the President announced seems to me to be an important starting point. Certainly the crisis cannot be solved unless the industrialized nations shoulder their responsibilities and resolve to work with others to find solutions which take the interests of all countries into account.

If they do that, even this agonizing crisis may have some positive side-effects. It may be an opportunity for the world at last to approach global problems in a truly global spirit.

The United Nations stands ready to play its part, and the Assembly's work over the last two days shows that we have an important contribution to make.

The President (*interpretation from Spanish*): I thank the Secretary-General for his statement.

Over the last few days we have participated in this meeting and have witnessed the success of a true innovation in the work of the Assembly. During this high-level meeting, we have seen a creative combination of various modalities of action: a plenary debate in which delegations expressed their national positions; two ministerial round tables devoted to the consideration of national responses; and international responses to globalization. This allowed for a productive and stimulating exchange of views on fundamental aspects of the experience acquired and of the policies adopted at the national and international levels. Two informal group meetings also took place, yielding a great deal of specialized information: knowledge and perspectives from the private sector, academia, unions and civil society as a whole.

We have considered from various angles the broad and complex question of globalization, its economic and social consequences, and possible responses from a political standpoint. Our dialogue has been very constructive. The debates and deliberations have been rich in content and replete with ideas and proposals that will lay the groundwork for finding solutions. The statement just made by the Secretary-General and the statement by the Deputy Secretary-General, made at the beginning of our endeavours, laid out the guidelines and directions that are emerging, or seem to be emerging, from these dialogue meetings.

I could not possibly do justice to the wide range and diversity of views and opinions and the wealth of ideas and suggestions submitted here if I tried to summarize them in their entirety. Therefore under my leadership and in consultation with delegations, a detailed summary will be issued and circulated at a later stage. For the time being, however, I should like simply to make a few observations and underscore some main issues.

These high-level meetings have shown the usefulness and the value of holding a dialogue in these circumstances, with ministerial participation, on the question of globalization. This is an extremely important issue, as it has an impact on humankind as a whole. For that reason, the need for this dialogue has been widely acknowledged.

Dialogue itself constitutes interaction aimed at broadening understanding and helping to find solutions. In this connection, I believe that it would not be overstating the case to say that the first step has been taken here in promoting better understanding and establishing and identifying the areas where new measures are needed. The value of this opportunity, the relevance of this dialogue and the key role played by the United Nations in promoting this dialogue have been recognized by all.

Everything seems to indicate that globalization is inevitable, that it is a fact of life and not an option. There is no choice to be made. It is a positive force of global proportions, not a negative one, but in some circumstances it can act blindly. To avoid that possibility it must be very carefully channelled at the national and international levels.

Internationalization or globalization — words that are often used interchangeably — allows resources to circulate throughout the world, promoting growth and thus social well-being.

In order to achieve better integration in the world economy, countries must have solid macroeconomic policies; they must devise effective legal and political frameworks; their physical, material and human infrastructures must be up to the task; and they must carefully manage their economies. Developing countries, for their part, have the primary responsibility of satisfying those requirements, but international support and international cooperation continues to be of the essence in order for such efforts to be successful.

While it is true that extraordinary achievements have already been registered as a result of the globalization process and of development efforts, the changes inherent in that process and technological advances have led to increased uncertainty and risks. That fact has been acknowledged here.

Disparities in income levels have continued to increase, seriously impeding attempts by the developing countries to incorporate high technology into their economies and thus enhance their competitiveness.

There is a danger of a deflationary spiral at the global level, because the current prevailing worldwide crisis could certainly lead to a worldwide recession. We must therefore take emergency steps — rapid and decisive measures — in order to avert this danger.

Governments should not react by isolating themselves or moving towards autarchy but rather should keep their economies open. They must focus on their capacity to strengthen their institutions and infrastructures; stimulate the world economy; stabilizing the financial markets; increase the flows of official development assistance; alleviate the debt burden of the poorest countries and the private sector; improve market access by doing away with whatever obstacles exist; and enhance support for social safety nets.

For their part, national authorities have the responsibility to redress the failings of the marketplace, but the success of measures to overcome the crisis will depend on joint agreements and joint work carried out both by national authorities and by the multilateral institutions that were basically created for that purpose. There must therefore be a more thorough dialogue based on mutual understanding and on an appropriate allocation of responsibilities. In our view, the key point is that the current architecture of the world financial system has been shown to lack the preventive and persuasive powers necessary to avoid crises, and we must therefore redesign the system. The redesign could come from within the existing system, or both from within and from outside. The fundamental elements of the system must be transparency, responsibility and participation at all levels — national, regional and international. Each country must determine the pace and sequence of its work of liberalizing capital flows, freely taking into account its own specific needs. The United Nations and the Bretton Woods institutions will have to continue to work together in support of national efforts.

In that connection, United Nations cooperation with the World Trade Organization must be strengthened in order to promote international trade and thus avoid protectionist policies and practices. In other words, we need a trading system that is transparent and based on clearly defined norms, providing an equitable framework within which the benefits of globalization can be shared.

Africa and the least developed countries, which are threatened by marginalization, need free access to markets. Although it is true that private capital flows have greatly increased, these cannot be a substitute for

official development assistance; levels of official development assistance must be increased. More vigorous efforts are required to ease the debt problem; one stabilizing factor could be increased long-term borrowing on favourable terms. Balance-of-payments surpluses could be recycled through loans and through offered without conditionality and involving the modalities of humanitarian assistance.

The marginalization of countries and groups of people within countries has been given considerable attention, as has the problem of the lack of symmetry and even the inequality to which globalization has given rise. Much concern has been expressed about the devastating social consequences of the current financial crisis, particularly massive unemployment, the loss of health and educational services, and the consequent increase in poverty in affected countries. In developing countries that are in danger of being marginalized in the process of globalization, the costs could be greater than the benefits. Therefore, urgent concerted action is required to give them greater assistance and increased trading opportunities so that they can truly take advantage of the benefits of globalization. Trade and financial channels should work together in these efforts.

It was felt that the principal problem that the authorities must overcome is to determine how to make sure that political measures intended to solve the problems of the financial markets are compatible with strategies intended to eradicate poverty. Because of the inherent instability of financial and labour markets, it is clear that there is a need to monitor, to regulate and to supervise. Yet it is clear too that the institutions needed for such activities are somewhat behind vis-à-vis the forces at work on the international scene, and an acceleration and revision of international development efforts is therefore necessary. Three basic elements have been identified for this purpose: transparency, accountability and participation. Those elements are fundamental to the preparation of budgets because they can contribute to social cohesion and financial stability.

Let me sum up: it has been said that social awareness and social contracts appear to be in danger and that they must be protected. It has been said that the universality of basic principles as they apply to labour law is a necessary element in overcoming differences in international negotiations. The fragmentation of the labour market is another source of concern. We heard emphasis placed on the role that can be played by transnational corporations and enterprises towards socially responsible globalization; the social consequences of globalization relate to the revolution in information technologies. There is a new international culture; it must not be harmful to humankind.

Because of the uneven distribution of the benefits and risks of globalization, developing and developed countries should work together to draw up a new contract based on genuine solidarity and shared responsibility, with a view to conceiving and building a new, fair framework within which all countries will benefit from the process. A key issue here is a common vision of what constitutes growth and what constitutes universal development, a vision in which all countries and peoples benefit.

Those were a few initial comments. A more detailed summary of these meetings will be issued as a document of the General Assembly. A body of important documents and statements from countries and institutions already exists. Like the Secretary-General, we believe that we are here making a contribution to ensuring that the United Nations plays its proper role in this process.

The high-level dialogue has now come to an end.

The meeting rose at 7.30 p.m.